



Opinion

# Prepare for a year of M&As in Israeli life sciences companies

Massive fund raising, significant growth in M&A deals and even a first Israeli biomed SPAC; Dr. Laurent Choppe, Managing Partner at Cukierman & Co. Life Sciences, explains the current trends behind the sector's amazing year and discusses what's next

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Covid-19 has brought Israeli life sciences companies to life. Following a record of \$2.5 billion raised in 2020 (211 deals), Israeli life sciences companies have raised \$900 million in the first quarter of 2021 alone, the best first quarter in the last decade, with growing interest in M&As and even a first Israeli SPAC company in this field.

Just like for the Israeli hi-tech industry in general, 2021 marks the change from the initial "investment freeze" of 2020 to fast-growing fund raising and an accelerated investment period. But life sciences also enjoyed their own perfect storm, which turned the whole sector into one of the most prominent to leverage the current boom. In Q1-Q3 2021, while 11 Israeli hi-tech companies chose SPAC mergers, raising \$2.91 billion, life sciences companies raised \$1.26 billion on capital markets.



Dr. Laurent Choppe, Managing Partner at Cukierman Co Life Sciences. Photo: Sachs Associates

On the global level, Covid-19 has put life sciences technologies under the spotlight, and the success of the vaccinations has reinforced this point. Life sciences companies from around the world registered a record year of financing and 2021 has not even ended yet. The U.S. IPO market remains healthy by historic standards, with biotech startups raising \$11.1 billion by the end of Q3, vs. \$13.4 billion for the full year of 2020. Private financing is also higher than the past three years. European biotechs, which are more

comparable to Israeli ones, have raised \$4.05 billion in the first three quarters compared to \$3.4 billion in all of 2020 (+20%).

In Israel, this boost has dramatically changed the evolution of local life sciences companies. Historically, most Israeli life sciences companies never got to commercial stages nor to a unicorn stage. We are currently seeing a new reality: In an 18-month period, Israeli life sciences companies have raised more money than ever, and have reached maturity which will definitely lead to an upcoming wave of mergers and acquisitions and IPOs.

As an investment banker specializing in life sciences for many years, I am experiencing this change on a daily basis: Currently, half of my time is dedicated to M&A transactions, compared to the past when most transactions were smaller, or focused on fundraising.

Some sectors were more prominent than others. With digitization as the new normal, digital health cutting edge technologies suddenly seem more possible than ever. Since a number of the Israeli companies have accumulated enough cash, I expect that some will acquire smaller companies, and some will go public, mainly in advanced digital health areas such as robotics, computational biology, predictive analysis, and diagnostics including telemedicine. In medical devices, Israeli medical aesthetics companies, which were in total freeze because of the quarantines and masks regulations, are now experiencing a major leap in investments, growth and M&A deals.

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In the past year, a lot of money has flowed into Israeli life sciences companies from family offices, generalist funds and specialized funds, mainly through equity investments. Covid-19 has pushed a lot of investors of all kinds, not all of them from life sciences, to invest in solutions that tackle medical challenges that help humanity, and the relatively rapid returns (ROI) on vaccines and diagnostic developments have encouraged the trend. On the other hand, and this is particularly noticeable in biotech/pharma companies, as hospital resources were diverted to Covid-19 care, clinical trials of many startups were delayed or postponed, which prevented them from

reaching maturity. Therefore, we have not yet seen a significant increase in M&As of Israeli life sciences companies (most of them are in an early stage).

However, following the impressive number of acquisitions in Israeli high tech, we estimate that in the next two years we will see a wave of M&As in Israeli life sciences companies that have matured following the recent large rounds of fundings and have used the capital invested to advance technologically from a drug development standpoint, or commercially for the medtech and digital health firms.

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